



Agenda Date: 8/01/01

Agenda Item: 5 B

**STATE OF NEW JERSEY**

***Board of Public Utilities***

*Two Gateway Center*

*Newark, NJ 07102*

IN THE MATTER OF THE APPLICATION OF )  
MIDDLESEX WATER COMPANY FOR )  
AUTHORITY TO BORROW UP TO \$5,100,000 )  
AND TO ISSUE EVIDENCES OF )  
INDEBTEDNESS PURSUANT TO THE )  
ENVIRONMENTAL INFRASTRUCTURE )  
TRUST FINANCING PROGRAM )

WATER/WASTEWATER

ORDER OF APPROVAL  
AUTHORIZING BORROWING AND  
ISSUANCE OF INDEBTEDNESS

DOCKET NO.: WF01050336

Dennis G. Sullivan, Esq., Middlesex Water Company and Norris, McLaughlin & Marcus, P.A., by Walter G. Reinhard, Esq., Somerville, New Jersey for Middlesex Water Company

Fred S. Grygiel, Chief Economist, Mark C. Beyer, Manager, Leo M. Lim, Supervising Accountant and Julie Huff, Accountant I, Office of the Economist and Michael Gallagher, Director, Division of Water and Wastewater, on behalf of the Staff of the Board of Public Utilities

BY THE BOARD:

Middlesex Water Company (Middlesex or Petitioner), a public utility of the State of New Jersey, by petition filed with the Board of Public Utilities (Board) on May 29, 2001, pursuant to N.J.S.A. 48:3-7 and 48:3-9 and N.J.A.C. 14:1-5.9, requests authority to:

- a) Borrow up to \$5.1 million (Loans) from the New Jersey Environmental Infrastructure Trust (Trust) and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection (State) and make, execute and deliver to the Trust and the State documents required in connection therewith;
- b) Make, execute and deliver, if necessary, one or more Supplemental Indentures of Mortgage to First Union National Bank, as Trustee, for the purpose, among other things, of describing the terms of Petitioner's First Mortgage Bonds (hereinafter called First Mortgage Bonds), or make such guarantee or guarantees as are required by the State and the Trust to secure the loans; and
- c) Issue and deliver, if necessary, to the Trust and the State up to \$5.1 million principal amount of the Company's Bonds, due 2021. Petitioner's Bonds will bear interest at approximately one-half of the interest rate of the Trust's Bonds which are intended to be sold by competitive bidding.

Petitioner requests that the relief set forth in Paragraphs a through c above be granted by the Board without the requirement for a further Board Order.

The Trust will issue and sell its tax-exempt bonds and the proceeds together with other State monies will be used to create a fund available for loans to qualified borrowers, all pursuant to the 2001 New Jersey Environmental Infrastructure Trust Financing Program. Loans to various entities, including the Loans to the Petitioner, will be made from the loan fund. Petitioner proposes to issue and deliver its Bonds to the Trust and the State as security for the Loans from the Trust and the State of up to \$5.1 million. The Trust Bonds will be sold through one or more underwriters with a fixed rate of interest, under circumstances where competitive conditions will be maintained throughout. The proceeds of the issuance of the Petitioner's Bonds will be used by Petitioner to finance a project of rehabilitating its cast-iron pipe, referred to as "Cleaning and Lining," to pay qualified short-term debt, if any, incurred in connection with this and other qualified projects, and to pay any allowed issuance expenses and related costs. The Cleaning and Lining project is an annual program estimated to continue for over 15 years. Petitioner anticipates project costs of approximately \$2.35 million per year and has applied for Loans in amounts anticipated to be sufficient to finance the project for two years.

Petitioner has stated that no franchise or right will be capitalized directly or indirectly by the issuance of its Bonds.

By letter dated July 24, 2001, the Division of the Ratepayer Advocate states it, "...is not opposed to its approval by the BPU."

The Board, after investigation and having considered the record and exhibits submitted in this proceeding, is satisfied that the proposed transactions to be taken by Petitioner, as indicated above, are in accordance with law, and are in the public interest. The Board therefore AUTHORIZES the Petitioner to:

1. Borrow up to \$5.1 million (Loans) from the New Jersey Environmental Infrastructure Trust (Trust) and the State of New Jersey, acting by and through the New Jersey Department of Environmental Protection (State) and make, execute and deliver to the Trust and the State documents required in connection therewith;
2. Make, execute and deliver, if necessary, one or more Supplemental Indentures of Mortgage to First Union National Bank, as Trustee, for the purpose, among other things, of describing the terms of Petitioner's First Mortgage Bonds (hereinafter called First Mortgage Bonds), or make such guarantee or guarantees as are required by the State and the Trust to secure the loans; and
3. Issue and deliver, if necessary, to the Trust and the State up to \$5.1 million principal amount of the Company's Bonds, due 2021. Petitioner's Bonds will bear interest at approximately one-half of the interest rate of the Trust's Bonds which are intended to be sold by competitive bidding.

This Order is issued subject to the following provisions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever any value of the tangible or intangible assets now owned or hereafter to be owned by the Petitioner; nor as certifying that the securities authorized to be

issued and sold will be represented by tangible or intangible assets of commensurate value or investment cost.

2. This Order shall not affect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, service, financing (including method of sale of securities), accounting, capitalization, depreciation, or in any other matters affecting the Petitioner.
3. Petitioner shall submit a schedule indicating complete details of the issuance costs no later than sixty (60) days following the closing date for this transaction.
4. Petitioner shall furnish the Board with copies of the executed Supplemental Indentures.
5. The Bonds herein authorized to be issued shall not be redeemed at a premium, prior to maturity, without further Board approval.
6. The authority granted in this Order shall become null and void and of no effect with respect to any portion which is not exercised on or before March 1, 2002.

DATED: August 1, 2001

BOARD OF PUBLIC UTILITIES  
BY:

[SIGNED]

CONNIE O. HUGHES  
ACTING PRESIDENT

[SIGNED]

FREDERICK F. BUTLER  
COMMISSIONER

[SIGNED]

CAROL J. MURPHY  
COMMISSIONER

ATTEST:

[SIGNED]

FRANCES L. SMITH  
BOARD SECRETARY